

Message Text

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PAGE 01 LUSAKA 00712 071006Z
ACTION AF-10

INFO OCT-01 ARA-10 ISO-00 GSA-02 INT-05 EB-08 COME-00
TRSE-00 CIAE-00 INR-10 NSAE-00 /046 W
-----003138 071009Z /20

P R 070913Z MAR 78
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC PRIORITY 7783
INFO AMEMBASSY KINSHASA
AMEMBASSY LIMA
AMCONSUL LUBUMBASHI
AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE LUSAKA 0712

E.O. 11652: N/A
TAGS: EMIN, ZA, CIPEC, EALR
SUBJ: ZAMBIA TO CUT COPPER PRODUCTION BY 15 PERCENT

REF: (A) LIMA 1929, (B) STATE 057568 (NOTAL)

1. ACCORDING TO ZAMBIAN MINISTER OF MINES, GENERAL KINESLEY CHINKULI, ZAMBIA WILL REDUCE COPPER PRODUCTION BY 15 PERCENT AS AGREED BY PERU, ZAIRE AND ZAMBIA AT THE RECENT CIPEC MEETING. CHINKULI SAID HE HAS INSTRUCTED THE MAJOR MINING COMPANIES, RCM AND NCCM, TO WORK OUT A MECHANISM TO IMPLEMENT THE PRODUCTION CUT-BACK. RCM MANAGING DIRECTOR DAVID PHIRI CONFIRMED THAT HIS COMPANY WAS ALREADY LOOKING INTO WAYS AND MEANS OF REDUCING PRODUCTION.

2. IT APPEARS THAT ZAMBIA, UNLIKE THE CASE OF PERU (REFTEL A), IS ACTUALLY GOING TO REDUCE CURRENT PRODUCTION. TWO RCM MINES, KALENGWA AND MINDOLA, HAVE BEEN CLOSED IN THE PAST THREE MONTHS AND THEIR PRODUCTION CUT MIGHT BE CONSIDERED AS PART OF THE 15 PERCENT REDUCTION. HOWEVER, MORE MINES OR MINE SECTIONS WOULD HAVE TO BE CLOSED TO MEET THE TARGETED REDUCTION.

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3. IN ANNOUNCING THE DECISION, GENERAL CHINKULI DISCUSSED THE QUESTION OF EMPLOYMENT IN THE MINES AND HIS REMARKS INDICATE THE UNCERTAINTY OF THE GOVERNMENT ABOUT THE PROBLEM. ON THE ONE HAND CHINKULI SAID THAT MINERS AFFECTED BY THE CUTBACK WOULD BE REDEPLOYED TO OTHER SECTORS OF THE MINING INDUSTRY, THUS IMPLYING THAT NO ONE WOULD BE FIRED.

ON THE OTHER HAND, HE SAID, NO ONE WOULD BE DECLARED "REDUDANT" WITHOUT THE AUTHORIZATION OF PRESIDENT KAUNDA. IF INDEED THE GOVERNMENT REFUSES TO DECLARE REDUNDANCIES FOLLOWING A PRODUCTION CUTBACK, THE OPERATING COSTS OF THE MINIG COMPANIES WILL NOT BE SIGNIFICANTLY REDUCED. RATHER, THEIR PRODUCTION COST PER TON WILL SIMPLY INCREASE.

4. ZAMBIA OBVIOUSLY FACES A SERIOUS DILEMMA. ON THE ONE HAND THEY HOPE TO REDUCE OPERATING COSTS AND INCLUENCE THE PRICE OF COPPER BY CUTTING PRODUCTION. THIS WOULD NORMALLY MEAN A REDUCTION IN MINING EMPLOYMENT AS WELL, WHICH WE UNDERSTAND IS ONE OF THE "RECOMMENDATIONS" BEING MADE BY THE XF. HOWEVER, THIS IS AN ELECTION YEAR AND IT APPEARS THAT POLITICAL CONSIDERATIONS MAY HAVE DICTATED THAT EMPLOYMENT WILL NOT BE REDUCED, THUS DEFEATING THE PURPOSE OF THE IMF AMD MINING COMPANIES TO REDUCE COSTS.
LOW

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Message Attributes

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Draft Date: 07 mar 1978
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Disposition Case Number: n/a
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